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REMARKS OF WILLIAM J. CASEY

DIRECTOR OF CENTRAL INTELLIGENCE

AT THE

AMERICAN STOCK EXCHANGE CONFERENCE

LOY HENDERSON HALL, DEPARTMENT OF STATE

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For the past three years Bill Casey has been an energetic and indeed occasionally a Controversial Director of the CIA who enjoys ready access to the President. Even Mr. Casey's critics would acknowledge, however, that he has earned the respect of his colleagues in the intelligence community and that he has been an affective Director of the Agency. Its been my privilege to work directly with Bill Casey, and I can tell you that he is very good. Its my pleasure to give you as our first speaker this morning, the man who knows more than anybody else about what is going on in the world today, the Honorable William Casey, Director of Central Intelligence. [APPLAUSE]

WILLIAM J. CASEY:

~~Thank~~ ^{Frank,} Thank you for the most generous introduction, for all the indoctrination you gave me in coming into this job, and I'd like to tell all of you I'm very pleased to be here. I must first register [NOT DISCERNIBLE] is given the administration viewpoint on National Security. I took a vow of political chastity when I was appointed Director of Central Intelligence three and a half years ago. What I will give you within our time constraints is the independent view which the American Intelligence Community takes in financial security and provides to the Administration and to the Congress on what we see out there around the world and how we just go about serving the nations first line of defense.

The Soviet Union still dominates our interest as Craig Gremlen [spelling?] watches we see Chernenko and the third of three aging and sick leaders and a transitional leader. Whether he dies tomorrow or some

years, hence, its not likely to make much difference because we are dealing with a collectivity, an institutional force which will change if at all very slowly.

The CIA of very [NOT DISCERNIBLE] China some [NOT DISCERNIBLE] before he died that made us very careful about protection when any one might cash in his chips. All we do know is that the Soviets have a large and growing arsenal of nuclear weapons which are aimed at the United States, Western Europe, and East Asia. On top of that new missiles and missile carrying planes and submarines are being designed, developed, tested, and deployed in amazaing confusion. This is compounded by the work the Soviets have carried out over the last decade to improve that capability for missile defense while we have done little of nothing in that area. Recently we see alarming signs of radar [NOT DISCERNIBLE] the testing of interceptors and other activities which would give them a running start if they should break out of the treaty limiting missile defense and establish the kind of nationwide defense which could heavily [NOT DISCERNIBLE] strategic balance against us. On the European front in the Conventional area the Warsaw [spelling?] forces outnumber NATO forces increasingly in numbers of troops, tanks, guns, and planes and allowing the quantitative edge we once counted on quiet heavily. These forces are being deployed in an increasingly aggressive way and backed up with a steadily expanding ray of long range missiles which can reach European Capitals. Yet the main threat may lie else where. Kruschew [spelling?] told us in 1961 that the Communists would win not through nuclear war which could destroy the world, not through conventional war which might

become nuclear soon, but through national liberation wars in Africa, Asia, and Latin America. We didn't believe that any more than we believed Hitler when he told us in the early 30's how we would take over Europe. Yet the Soviets moved on to develop Cuba as a base during the 60's, during the mid 70's we saw them send weapons thousands of miles away to link up with Cuban troops in Angola, Ethiopia, South Yehmen, and today Vietnam, Angola, Ethiopia, South Yehman, Iran, and Nicaragua have been taking over by regimens hostile to the United States and Afghanistan has been invaded by Soviet troops. In this way Soviet power has been established through bases and proxies in Vietnam, along China's southern border, and astride the sea lanes which brings Japan's oil from the Persian Gulf. In Afghanistan 500 miles closer to the warm water ports of the Indian Ocean and the Straits of Bermuz of which comes the oil essential for Western Europe. On the Horn of Africa, overlooking the passage way of Suez, which connects the Mediterranean Sea and Indian Ocean, in South Africa rich in minerals in which the industrial nation must have, and in the Caribbean in Central America on the sea lanes in the very door step of the United States. That's whats happened in a short ten years. This is a continuing process of creeping Imperialism which threatens other areas of strategic significance ^{CHAD}Japan, Honduras, Guatamala, Sudan, Samilas [spelling?], ^{NAMIBIA}Eubia [spelling?]. The most affective technique employed in this strategy has been the use of proxies. This is not exactly new in history. The Romans used men from conquered countries to fight their enemies. Later Swiss and German mercenaries were available to the highest bidder all over Europe. The British army had its sherpas [spelling?], the Franks had its Foreign

Legion. But the Soviet's use the Cubans, the East Germans, Libians, and Vietnamese in a different and broader way. In peace as well as war in a role as much political as military different proxies having specialized functions of the more than 40,000 Cubans in Africa, 80 percent are soldiers in active duty, Vietnam with the fourth largest army in the world keeps China and Thailand worries as its solidifies its position in Capitreya [spelling?]. The Soviet's support Cuban and Vietnam with more than 5 billion dollars in economic and military support every year. North Korea, Libya, Cuba, South Yehman, East Germany, and Bulgaria train a security forces which organize the supervisor block watches to protect the regimens and the people and sure that the anti-western pro-Communist regimen is permanently installed and entrenched. These countries also operate camps for training terrorists and invaders to be sent around the world to formant and practice further and revolutionary violence.

Terrorism has become a weapon system itself used by Sovereign states that destabilize in all the governments and intimidate them in their foreign policy. As practiced today terrorism is obliterating the distinctions between peace and war. [NOT DISCERNIBLE] terrorists organizations around the world can be hired by Iran, Syria, Libya, other radical governments. U.S. facilities and people around the world are the major target and this is a major challenge, continuing challenge, for our intelligence capabilities.

The Soviets have in place, on all continents, and on all its apparatus in the KGB and the Soviet military service the GRU. Plus some 70

nongoverning Communists parties plus a ~~an~~ ^{VAST ARRAY} of peace and friendship organizations all directed from Moscow plus the associated and coordinated capabilities of these German, Cuban, Polish, Czechoslovakian, Bulgarian and other hostile intelligence services, as well as the people to people movements the Cubans and others, sponsored by the government of these satellite countries. To put it all together and its awesome and as skillfully directed as stealing our technology and other secrets, damaging our reputation, confusing our people and dividing us from our friends and allies. The CIA is the organization of the free world, most capable of dealing effectively with this huge and much larger apparatus. To cope with international terrorism and Soviet technology acquisition active measures, propaganda and world espionage worldwide, our cooperation in intelligence exchanges, training technical support and operational efforts with some two hundred intelligence and security organizations in friendly countries is critical in maintaining an effective counter-terrorism and counter-espionage capability to protect our people, our installations and our interests around the world. This is a backboard that is really the only thing that can effectively counter this tremendous apparatus our adversaries have put together and worked so effectively. Now there are other important factors in the world affecting our national interests which we have to watch. Religious and tribal forces, political factions of movements, narcotics and arms traffickers, economic curtails, and technology thieves. Narcotics forwarded into the United States from South America, the golden triangle of Southeast Asia, Afghanistan, Pakistan, Iran. They come in containers, they come in small planes, small boats, they come in stomachs even. We

see some of the huge amounts of money involved in this activity going into destabilizing political and terrorists activity.

Then we must cope with nuclear proliferation, third world death and international competitors problems which can undermine political stability in so many countries as well as our own security and prosperity. One of the most critical and most difficult intelligence challenges that we face is the assessment of Soviet technology and science and its potential for military and strategic surprise. We believe if we watch this closely, regularly, we believe we are still ahead in most of the twenty critical technologies we look at. But they have pulled ahead or alongside some and our margins and lead times tend to shrink. The ability of the Soviet military industrial complex to acquire and assimilate Western technology far exceeds any previous estimates. We estimate that seventy percent of the technology most significant to recent Soviet weapons developments came from Western sources. They come through our open literature, buy through legal trade channels, religiously attend our scientific and technological conferences, send students over here to study. They use dummy firms and sophisticated international networks to divert and steal weapon technology. We have identified hundreds of firms operating through more than thirty countries engaged in these technology diversion schemes. This is a major effort to slow down this illegal building of their capabilities against which we must defend with our own technology and R and D that we have developed and paid for. We have had a fair number of successes and frustrating this I will mention just one. You may recall

lately last year and early this year West German and Swedish customs siezed several advanced ^{VAX} [spelling?] computers and thirty tons of related equipment that were being smuggled to the Soviet Union by a notorious illegal trader named Muller. We caught that but this is only the top of the iceberg. Our evidence shows that much larger quantities of computer and electronic equipment have been successfully diverted to the USSR through the activities of the Muller firm, others like it and Western manufacturers that have dealt with these outfits. Now stepping back that is a catalog of the kind of intelligence [NOT DISCERNIBLE] we have to contend with. Broadly the less developed nations of the world in line with this strategy of national wars of liberation are likely to be the principal US, Soviet battlegrounds of the future. The Soviets have become the worlds leading supplier of arms. Over recent years their arms shipments to the third world have been four times greater than their economic assistance. This is amazing, these small countries dependent on the Soviets for thousands of [NOT DISCERNIBLE], for spare parts as a continued logistical support. Once they dig into a military system it is hard to replace them.

Despite the global expansion of its power, despite its impressive military machine the Soviet Union is crippled in only having a military dimension. Economically it has little to offer the third world. In the countries which have come under Soviet influence economic performance has ranged from poor to very poor. In the long run economic, financial, scientific, technical and cultural exchanges that contract and maintain close relationships with both third world countries are far more

effective than merely military support. The Kremlin cannot compete in these areas. This forces the Soviets to rely on ^{SUBVERSION} [NOT DISCERNIBLE] and disruption of stable political and economic relationships, to weaken Western relationships and to create a condition of chaos in which their surrogates and internal allies can seize power. We have to find a way to mobilize and use more effectively our greatest asset in the third world which is private business. Few in that part of the world wish to adopt the Soviet economic system. Neither we nor the Soviets can offer a limited or even large scale economic assistance to less developed countries. Advancement is the key to economic success in the third world and those countries need investment and know how from our country our NATO allies, Japan and other dynamic countries of Asia and Latin America. The Soviets are helpless to compete with this private capital and this advanced technology that we can make available to developing countries.

Now I would like to close with some comments on the apparatus which American intelligence has developed to meet this range of challenges. My predecessor enlisted photography, electronics, acoustics, seismic readings and other technological marvels to gather facts of all corners of the earth. These capabilities have been and are being enhanced as new technologies and new intelligence needs emerge. As a result we will be receiving many more photos, signals and reports in a few years than we are receiving now. To sift, evaluate and get practical meaning from this enhanced flow of information we have to recruit and develop dedicated people. We do have scholars and scientists in every discipline of the

social and physical sciences as well as engineers and specialists in computers and communications in profusion unmatched by any university.

Our national collection division with officers around the country, taps scientist and businessmen who own the world in their professional capacities, taps them for the information that comes their way and for the insights and understanding they develop. We tap academic specialists, think tanks, other sources of scholarship and knowledge. All this is distilled into CIA intelligence estimates and evaluated in national intelligence estimates relevant to the decisions which a President and his colleagues must make. For the national estimates, the chiefs of the components of the national intelligence community, which are the Defense Intelligence Agency, the National Security Agency, the CIA, the Army, Navy, Air Force and Marine Corp intelligence staffs, the FBI, the intelligence arms of the state treasury and energy departments, this group of people comprise a board of review. They are charged with contributing to this processing information obtained by their intelligence collectors and the judgements developed by their analysts. The estimates that result are no longer a homogenized ^{SEMANTICIZED} [NOT DISCERNIBLE] consensus. Rather they present policy makers with a range of those alternative outcomes which are well reasoned and substantiated. This process has greatly enhanced the collaboration and working relationships between the various elements of the intelligence community and it is supplemented by daily reports to administration policy makers [NOT DISCERNIBLE] security field, the Congress, as well as thousands of individual briefings on various subjects provided over the course of a year.

To maintain the support of the American people and get the assistance of people around the world who share our values and want to help us in this work it is essential that the American intelligence community maintain a reputation for integrity, confidentiality, reliability and security. I believe that the quality of the intelligence produced, the loyalty and dedication of our people and the large number of Americans interested in joining our ranks demonstrates that we do maintain that kind of a reputation despite a drumbeat of criticism in the media and elsewhere. With few exceptions, the highly publicized charges made against the CIA during the mid-seventies and since, turned out to be unfounded. The charges were on the front pages and their reputations were buried away so that few people noted them. Today, we are sustaining damage not yet fully measured as Frank Carlucci suggested in his opening remarks, from an actual and perceived inability of our government to maintain confidentiality and keep secrets.

In conclusion, I would like to site the safeguards which assure that the activities of the intelligence community support and conform to national policy established pursuant to the constitution by the President and the Congress. We undertake no special activities which are not reviewed by the national security council, authorized by the President and briefed to the Congress pursuant to law. We fully cooperate in every respect with the Congressional oversight process which assures not only special activities but the whole range of programs of the community are scrutinized by legislators responsible directly to the people. Finally our people fully understand and acknowledge that their mission is to

produce timely and high quality intelligence for the President and the government of the United States. To provide independent, unbiased and objective evaluations, to remain always open to new perceptions and to be ready to challenge the convention of wisdom. In short, they call them as they see them. They committed to conduct their activities in themselves according to the highest standards of integrity and morality and honor and according to the spirit and letter of the law in the constitution.

All this has been articulated specifically and recently in [NOT DISCERNIBLE] for the CIA which resulted from a reevaluation of the CIA mission, an organizationwide process in which several thousand individuals participated. A word about the people themselves. They have survived one of the most rigorous screening processes known to man. The highest skill requirements, the toughest intelligence and psychological testing, severe medical clearances, security clearances, polygraphs all of which provides high confidence that those who get through this obstacle course are smart, clean of drug and alcoholic addiction, healthy and psychologically able to cope.

Last year we had a hundred and fifty-three thousand inquiries for employment, we interviewed some twenty-three thousand, we selected twenty-three thousand and interviewed ten thousand. Four thousand came through all the tests satisfactorily, of those fifteen hundred [NOT *ENTER ON DUTY* DISCERNIBLE]. [NOT DISCERNIBLE] there is a three year probationary period. They know that throughout their careers there will be heavy duty unusual risk and responsibility, no public recognition for their

achievements and criticisms, justified or not, will have to be tolerated in silence. In these burdens, there is a satisfaction for them based primarily on the knowledge that intelligence is our first line of defense, that on doing it well might hang our security and future as a nation and that satisfaction is heightened by the early exposure to the range of perils I have very quickly outlined to you. There is satisfaction and challenge in being the ones called upon for constant vigilance and readiness to cope with these threats. The bonds of trust and sharing of responsibility among these people have flourished from knowing that their common risks and burdens are carried with courage and grace. From realizing how their common success, effectiveness and safety depends on the reliability and contribution of each one of them, from feeling the human and economic cost of each tiny granule of information that pours into their hands and mine and from knowing how the value of all that hangs finally on the care, depth and breadth of precision with which those nuggets of intelligence are evaluated, analyzed and interpreted for their practical meaning.

Finally, this is not our intelligence service its yours, the people. It works for our common security and well-being and there are things you could do to help. You can share with our national collection division special information and insights that come in the course of your travel and other business activity. You can speak up when our work and purposes are misunderstood and misrepresented. You can direct promise to young people looking for a challenging and honorable career who are recruiters. Some of you can continue to develop and apply your

technological and creative capabilities to the better, faster and deeper collection, processing and handling of information as you have in the past. Without that we would not be able to keep up with our mission at all. Thank you, I will be happy to hear your questions, collaborate on what I have said to the extent that I can do so with appropriate discretion. [APPLAUSE]

Arthur Levitt:

Thank you very much Bill for those comments. Bill, let me exercise the prerogatives of the moderator and ask the first question and then turn it over to you for subsequent questions. The heart of any intelligence operation is the protection of sources and methods. Obviously you are not going to collect information if you cannot protect it. How do you reconcile that with the applicability of the Freedom of Information Act to our intelligence community and where do you stand on legislative adjustments to that act?

William J. Casey:

Well the Freedom of Information Act makes it difficult to protect sources and methods but not impossible. We do have the right not to release information which is classified and which would jeopardize sources and methods and we do exercise that right as necessary to minutely screen and think about what another intelligence service or anybody else could figure out from what we released. This requires that the handling of these requests for information be carried out by experienced intelligence officers.

PUBLIC AFFAIRS STAFF

William Casey/Stock Exchange

Question and Answer

DIRECTOR WILLIAM CASEY: ...I'll be happy to hear your questions, elaborate on what I've said, to the extent that I can do so with appropriate discretion.

MODERATOR: ...Bill, let me exercise the prerogatives of the moderator and ask the first question, and then turn it over to you for subsequent questions.

The heart of any intelligence operation is the protection of sources and methods. Obviously, you're not going to collect information if you can't protect it. How do you reconcile that with the applicability of the Freedom of Information Act to our intelligence community, and where do you stand on legislative adjustments to that act?

DIRECTOR CASEY: Well, the Freedom of Information Act makes it difficult to protect sources and methods, but not impossible. We do have the right not to release information which is classified and which would jeopardize sources and methods. And to exercise that right, it's necessary to minutely screen and think about what another intelligence service, or anybody else, could figure out from what we release. This requires that the handling of these requests for information be carried out by experienced intelligence officers [technical difficulties] because of the necessity to screen it so minutely, huge cost and a huge commitment of people. We estimate that something like four percent of our operational people are tied up in doing this work, which has very little benefit. It doesn't provide oversight, the oversight process on a day-to-day basis. This is looking back 10, 15, 20 years of history.

Now, there is legislation, which has gone through the Intelligence Committees with their approval, which would exempt from this process the operational files of the CIA. It is that part of the files which requires this very minute screening and highly unproductive and dangerous work because you're going to miss some, some things are going to get out. And the fact that our operational files are exposed to that kind of possibility certainly weakens the confidence that other intelligence people and other people around the world don't want to help us and risk their lives and reputation to do so, are prepared to take that risk.

So, if we can get enacted this legislation which will exempt our operational files, that will substantially reduce the burden of complying with this law, will provide considerable assurance to people who must rely on our security, and I believe will take virtually nothing away from the public or the historians, who we've agreed to -- as part of the support for this bill, we've agreed to increase the rate at which we make

available historical files, going back a good many years, so that the proper study of history can be carried on.

So, I think we've made a little progress, and there's a chance we can get it enacted this year. I don't know whether it will clear the process with the amount of time that's left, but it has very good support and is supported by a number of the institutions in town which normally oppose this kind of thing because they see in it an opportunity to get what they'd like to get much more rapidly in the non-operational area. All the intelligence judgments and assessments would be available, under the act as it is now. It would merely be these operational files, which are so sensitive, which would be protected.

MAN: Mr. Casey, relative to your comment about tolerating criticisms in silence, would you comment, please, about the correlation of the congressional oversight and the great furor, in Congress and elsewhere, relative to the mining of harbors in Central America?

DIRECTOR CASEY: Well, that's been so widely discussed in the press, I don't know that there's much I can add to it.

In that activity, as required by law, we regularly kept the Congress informed of major developments. The process for doing that is that we maintain a legislative liaison staff of some 20 people. The congressional committees, together, maintain a legislative staff of some 70 people. They meet and exchange information, they ask for briefings, and there's an ongoing process of keeping them informed with the information that they think they need.

In addition to which, the committees themselves, on this program, called for briefings. And I and others appeared before the committee roughly every couple of months. And that would sometimes be a longer interim if the Congress was out of session. While they're in session, roughly every couple of months. And we would then tell them what had happened since the last briefing, and they'd ask questions about it, any question they chose. We'd have people there with maps and details and provide the answers.

And that had gone on for, I guess in this program, two or three years. And certainly in this program, more information was provided the Congress than in any previous activity of this kind since the inception of CIA. And information was provided. Some people felt it might have been provided earlier because of the sensitivity of it. And there was a misunderstanding or dispute and a mistake about that, perhaps. But that's pretty much the net of it.

The Central American thing, because it's politically controversial, has resulted in more public discussion and

exposure of the activity in the press than anything else, and it does create misunderstanding and tensions and so on. But I think that's inevitable in that kind of a thing.

MAN: There's been a lot said about the amount of technology that is leaving the United States, going to the Soviet Union. I would presume that with the intelligence-gathering efforts that the CIA has underway around the world, that the CIA is also gathering a variety of information on technology being developed by the Soviets.

Is there any program at all that the CIA has for making this kind of information available to American researchers or industry? And if not, why not?

DIRECTOR CASEY: Well, there is an effort to collect information an evaluation of foreign technology. That information is made available to the segments of the government, primarily the Department of Commerce, which are in touch with American industry. And it's their responsibility to make it suitable available to such use as is appropriate and beneficial to the people they serve. The CIA, itself, doesn't disseminate information inside the United States, except to the President and the Congress. It does it through other -- it makes it available to other agencies of government who, in their discharge of their obligations to the public, decide what they want to make or what they can usefully make available.

MODERATOR: Let's take one more question.

MAN: On the Today Show this morning, I believe a contract employee of yours, ~~McMichael~~ ^{MAC MICHAEL}, had some outpourings that seemed to be neither complimentary of the Administration or your department. Would you care to comment on those?

DIRECTOR CASEY: Well, not particularly. That's one gentleman who was a contract employee for a short period of time, whose relationship was severed maybe a year ago. And what he's saying runs counter to the judgment of all the analysts who, in the ordinary processing of this information, are arriving at the judgments, the estimates provided to the policymakers, and the conclusions arrived at by the congressional committees in their reports and budget authorizations, where they have, in a variety of ways, public statements and published reports, express a quite contrary view, that the activities and the ability of the guerrillas in Salvador to threaten the Salvadoran government springs in large measure from the support that is provided them by the -- from Nicaragua, Cuba, and so on. And there's ample evidence of that. It's been put on public view on TV and it's been presented to congressional committees. And this is just one man's opinion.

MODERATOR: Bill, thank you very much.